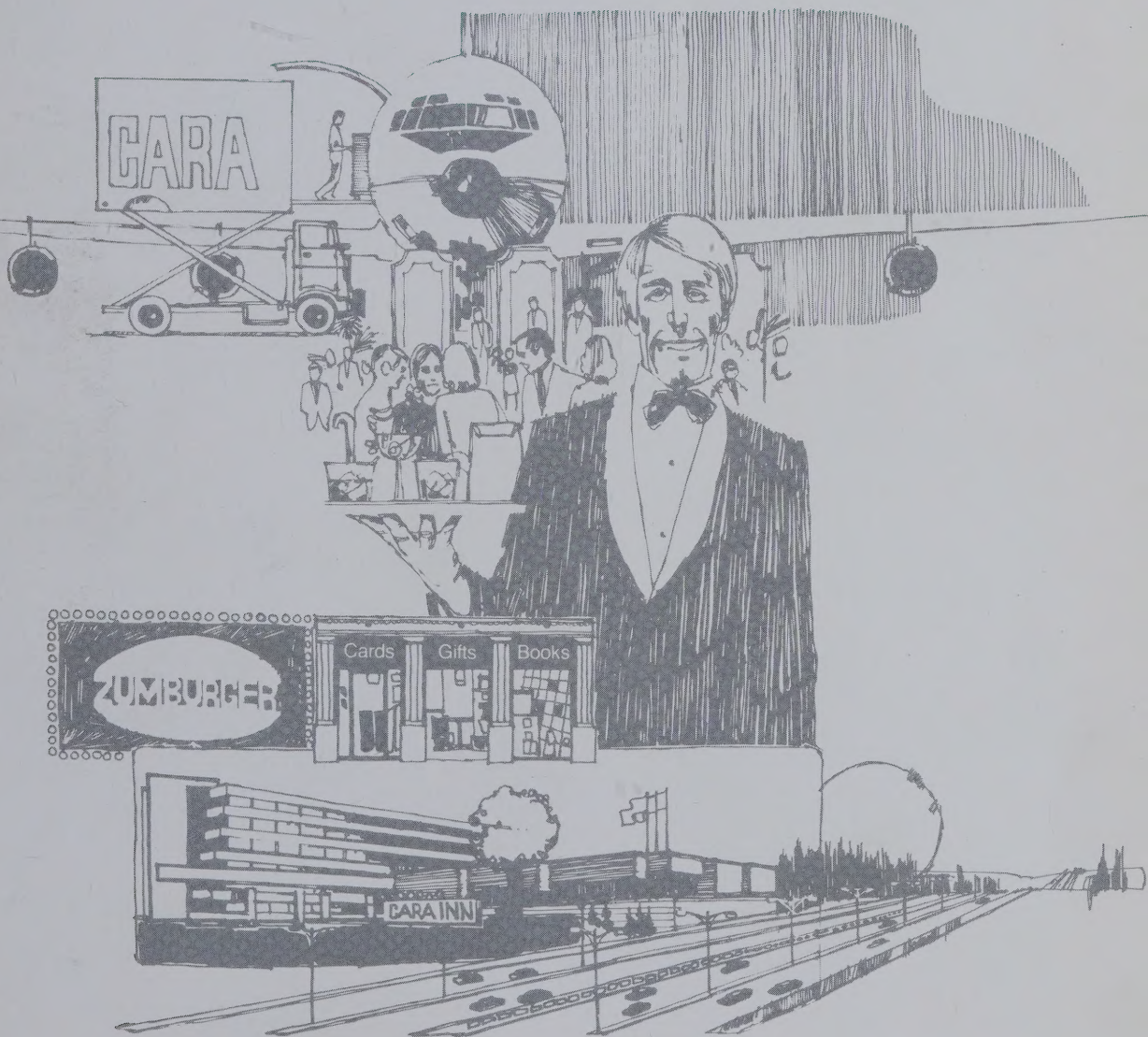




Annual Report, 1970



Directors

Paul J. Phelan
J. Boyd Matchett
Robert E. Phelan
Thompson M. Plewes
Lawrence Hynes
Paul McLaughlin
Charles A. Phelan
John G. Weir

Officers

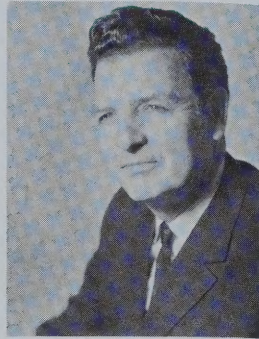
Paul J. Phelan, *Chairman of the Board*
J. Boyd Matchett, *President*
Robert E. Phelan, *Senior Vice-President*
Thompson M. Plewes, *Vice-President Finance*
Daniel D. Phelan, *Vice-President Restaurant Division*
Gunter Otto, *Vice-President Airline Services Division*
Walter G. Fraser, *Secretary-Treasurer*
S. Russell Knox, *Comptroller*

Head Office: 55 York Street, Toronto 1, Ontario

Transfer Agent: The Royal Trust Company,
Toronto, Montreal, Winnipeg, Vancouver

Auditors: McDonald, Currie & Co., Toronto, Ontario

Cara Operations Limited



This year's annual meeting is the 87th for Cara and its predecessor companies.

The results for the year show improvement, continuing our overall growth and development.

Our predecessor family concern achieved a long dividend record stretching from 1917 to the time of re-organization of the companies under Cara in 1961. We are pleased that dividends, although modest, have again commenced.

We continue to move forward from a strong base sparked by the enthusiasm and skill of all our people. Their continued loyal support is greatly appreciated.

Paul J. Phelon

Chairman of the Board

July 2, 1970

Report to Shareholders



The year ended March 31st, 1970, was our first complete fiscal year since the issue of our shares to the public in September, 1968. Sales increased by 18.5% to \$38,154,961 and net profit by 31.4% to \$801,776. These increases were achieved despite the nation-wide Air Canada strike and a Company strike at the Montreal Flight Kitchen which affected sales and profits during the first quarter. The three operating divisions, Airline Services, Restaurants and Retail Stores, each achieved increased sales and profits.

Major expansion was undertaken within the Airline Services Division, including a new Flight Kitchen at Montreal International Airport which opened in April, 1970, and construction of new

Flight Kitchens currently underway at Winnipeg, Vancouver and Edmonton, which should be completed before the year end. These modern new facilities are expected to be as efficient as any in North America and will place the Company in an excellent position to meet the demands of the new generation of aircraft and growth anticipated during the next five years.

Substantial new developments were also undertaken within the Restaurant Division. A restaurant and lounge complex was successfully opened in the \$50 million Scotia Square development in Halifax late in 1969. Four additional Zumburger self-service restaurants were opened by December, 1969, and this Spring two freestanding Zumburger units were opened in the East-end of Toronto.

On October 1st, 1969, we acquired the business of Bassel's, a well-known and successful restaurant in downtown Toronto. Effective April 1st, 1970, the Company also took over the complex of restaurants and cocktail lounge services within Place Bonaventure in downtown Montreal.

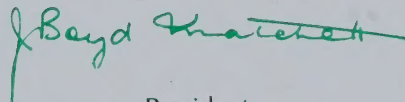
During the year new contracts were secured for restaurant and cocktail lounge installations in the Sherway Shopping Centre at Toronto and the Northwest Market Mall, Calgary, and for a Zumburger restaurant in the Southgate Shopping Centre, Edmonton. These are all major regional shopping centres and will be opened during the years 1970 and 1971.

Construction started this June on the first Cara Inn, to be located within close proximity to Toronto International Airport. This will be a 220 room hotel, designed to attract the air traveller, with extensive food and beverage facilities. The opening of the hotel is planned for June, 1971. The Company has two further hotel sites for future development at London, Ontario, and at Vancouver, close to the International Airport.

Our cash and working capital positions are being maintained satisfactorily but tight money conditions have increased our interest charges. Despite these conditions, your Company is pursuing an active expansion program consistent with careful consideration of the feasibility of all new projects.

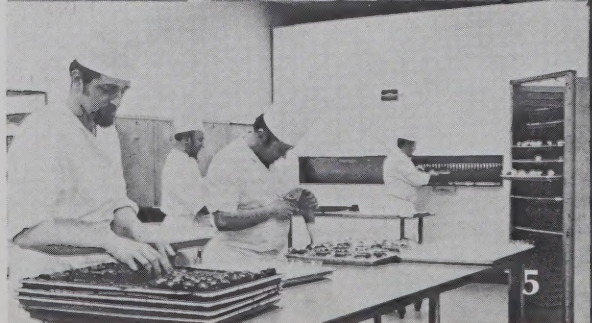
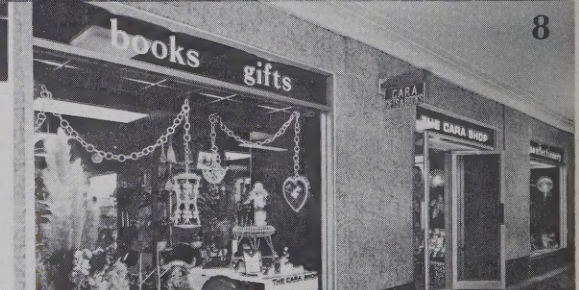
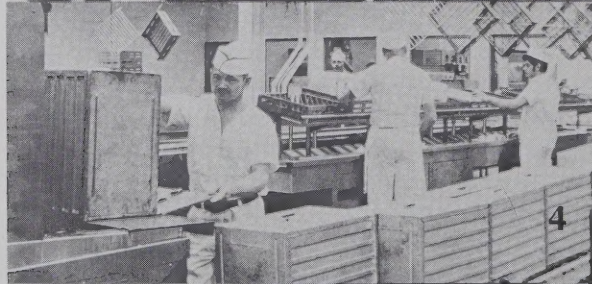
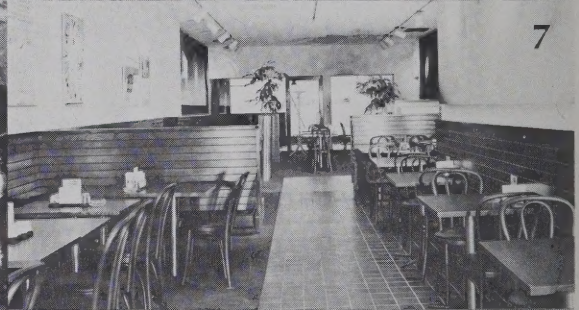
On behalf of the Directors, I wish to thank all our employees for their loyalty, cooperation and efforts during the year, which contributed significantly to our improved results.

On behalf of the Board

A handwritten signature in dark ink, appearing to read "J. Boyd Thatcher". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

President

July 2, 1970



Cara

87 Years of Service to Canadians

87 years is the span between a ship plowing its way through the Great Lakes in 1883 and an ultra-modern hotel being constructed opposite Toronto International Airport.

The business that operated the food concessions aboard the Great Lakes steamer and the business that next year will take on the role of innkeeper in Toronto is one and the same—Cara Operations.

Cara's association with Canada's transportation industry progressed from water to land to rail and finally air. The Company pioneered the in-flight meal service for the Canadian aviation industry and is now Canada's leading airline caterer, serving major airlines through flight kitchens located at principal airports across Canada.

Cara also operates concessions at 12 major airports from Vancouver to Halifax. These include restaurants, cocktail lounges, coffee shops, cafeterias, news stands, gift shops, roomettes, as well as drug stores and duty free shops. Two of Cara's principal restaurants are the Aeroquay Restaurant and Lounge at Toronto International Airport and the Sea Island Restaurant and Lounge at Vancouver International Airport.

The Company's Retail Stores Division is embarking on a major expansion program, which includes four duty free shops due to open in Calgary, Winnipeg, Edmonton and Ottawa and two Canadiana Craft Shops in new shopping centre developments in Toronto.

The Company operates a number of Voyageur Restaurants at Esso Service Centres in Ontario.

Cara now operates 8 Zumburger Restaurants in Toronto and Halifax and others are to follow.

The Company is also operating major restaurant complexes in Scotia Square, Halifax, and Place Bonaventure, Montreal, and has plans to operate restaurant facilities in the new Sherway Gardens project in West Toronto and new shopping centres in Calgary and Edmonton.

1. The new \$4,000,000 Cara Inn, currently under construction on Airport Road opposite Toronto International Airport. 2. One of the "speciality rooms" in The Wharf, Scotia Square, Halifax. 3. The Shot and Bottle Bar, Scotia Square, Halifax. 4&5. Interior view of the new Montreal Flight Kitchen. The new flight kitchen employs 300 people and can handle up to 18,000 meals a day. 6&7. Interior view of one of the successful Zumburger facilities. 8. The Cara Gift and Book Shop, Royal York Hotel, Toronto. 9. P.J.'s fast food area in Scotia Square, Halifax.

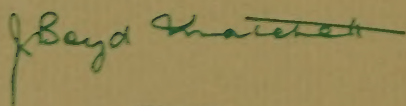
Cara Operations Limited and Subsidiary Companies

Consolidated Balance Sheet,
March 31, 1970

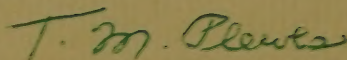
Assets

	1970	1969
CURRENT ASSETS		
Cash and short term investments.....	\$ 3,006,435	\$ 3,180,323
Accounts receivable.....	2,110,365	1,607,828
Inventories — at the lower of cost or net realizable value.....	1,234,738	1,108,321
Prepaid expenses.....	117,018	81,053
Land held for sale — at cost.....	114,000	—
	<u>6,582,556</u>	<u>5,977,525</u>
 NOTE MATURING SEPTEMBER 1970 — at cost.....	 —	 <u>500,000</u>
 FIXED ASSETS		
Land, buildings and equipment at cost less depreciation (note 1).....	5,022,586	3,752,276
Leasehold improvements — at cost less amortization.....	1,525,163	825,149
	<u>6,547,749</u>	<u>4,577,425</u>
 OTHER ASSETS — at cost, less amounts written off		
Special refundable tax.....	—	16,668
Due from affiliated companies.....	35,334	19,666
Deferred charges (financing charges, pre-opening expenses, etc.).....	153,755	29,983
Excess of cost of shares over book value of net assets of subsidiary at date of acquisition.....	328,520	—
	<u>517,609</u>	<u>66,317</u>
	<u>\$13,647,914</u>	<u>\$11,121,267</u>

Signed on behalf of the Board



Director



Director

Liabilities

	1970	1969
CURRENT LIABILITIES		
Bank loan (note 2).....	\$ —	\$ 500,000
Trade accounts payable.....	1,562,153	1,720,360
Accrued salaries and wages.....	564,577	401,804
Accrued rents.....	143,946	252,227
Income taxes.....	232,904	39,461
Current portion of long-term debt.....	718,989	265,928
Mortgages payable.....	209,750	168,750
Other liabilities.....	449,507	246,457
	<u>3,881,826</u>	<u>3,594,987</u>
 LONG-TERM DEBT (note 2).....	 <u>1,687,553</u>	 <u>201,460</u>
 DEFERRED INCOME TAXES.....	 <u>480,200</u>	 <u>436,600</u>

Shareholders' Equity

CAPITAL STOCK		
Authorized —		
3,000,000 common shares without par value of which 50,000 are reserved for allotment under a stock option plan (note 3)		
Issued and fully paid —		
1,833,230 common shares.....	4,278,009	4,278,009
 RETAINED EARNINGS.....	 <u>3,320,326</u>	 <u>2,610,211</u>
	<u>7,598,335</u>	<u>6,888,220</u>
	<u>\$13,647,914</u>	<u>\$11,121,267</u>

Cara Operations Limited and Subsidiary Companies

Consolidated Statements
for the year ended March 31, 1970

Earnings

	1970	1969
SALES.....	\$38,154,961	\$32,210,064
OPERATING AND ADMINISTRATIVE EXPENSES.....	35,786,086	30,457,355
PROFIT BEFORE THE FOLLOWING ITEMS.....	2,368,875	1,752,709
INTEREST FROM INVESTMENTS.....	141,585	155,658
	<u>2,510,460</u>	<u>1,908,367</u>
PROVISION FOR DEPRECIATION AND AMORTIZATION.....	729,560	585,922
INTEREST ON LONG-TERM DEBT.....	89,124	85,508
	<u>818,684</u>	<u>671,430</u>
EARNINGS BEFORE INCOME TAXES.....	1,691,776	1,236,937
PROVISION FOR INCOME TAXES.....	890,000	626,856
NET EARNINGS FOR THE YEAR.....	<u>\$ 801,776</u>	<u>\$ 610,081</u>
NET EARNINGS PER SHARE.....	<u>.44</u>	<u>.35</u>

Retained Earnings

BALANCE — BEGINNING OF YEAR.....	\$ 2,610,211	\$ 2,245,809
Net earnings for the year.....	801,776	610,081
	<u>3,411,987</u>	<u>2,855,890</u>
Deduct:		
Dividends — preference shares.....	—	15,000
common shares.....	91,661	201,800
Expenses of share issue less applicable income tax.....	—	28,879
	<u>91,661</u>	<u>245,679</u>
BALANCE — END OF YEAR.....	<u>\$ 3,320,326</u>	<u>\$ 2,610,211</u>

Source and Use of Funds

Source of Funds	1970	1969
Net earnings for the year.....	\$ 801,776	\$ 610,081
Add: Charges not requiring an outlay of funds		
Depreciation and amortization.....	729,560	585,922
Deferred income taxes.....	43,600	30,300
Equipment financing charges written off (included in interest on long-term debt).....	46,837	46,466
	<u>1,621,773</u>	<u>1,272,769</u>
Note maturing September 1970.....	500,000	—
Proceeds of share issue (net of expenses).....	—	4,248,121
Long-term equipment financing.....	768,302	213,676
Demand bank loan.....	1,500,000	—
Mortgage.....	100,000	—
Special refundable tax.....	16,668	24,025
	<u>4,506,743</u>	<u>5,758,591</u>
Use of Funds		
Purchase of fixed assets less disposals.....	2,702,268	1,843,778
Excess of cost of shares over book value of net assets of subsidiary at date of acquisition.....	328,520	—
Reduction of long-term debt.....	882,208	527,930
Note maturing September 1970.....	—	500,000
Equipment financing charges.....	109,575	17,568
Dividends.....	91,661	216,800
Miscellaneous.....	74,319	—
Redemption of preference shares.....	—	300,000
Redemption of serial debentures.....	—	408,000
	<u>4,188,551</u>	<u>3,814,076</u>
INCREASE IN WORKING CAPITAL.....	318,192	1,944,515
WORKING CAPITAL — BEGINNING OF YEAR.....	<u>2,382,538</u>	<u>438,023</u>
WORKING CAPITAL — END OF YEAR.....	<u>\$2,700,730</u>	<u>\$2,382,538</u>

Notes to Consolidated Financial Statements for the year ended March 31, 1970

1. Fixed Assets

These assets are classified as follows:

		1970		1969
	Cost	Accumulated depreciation	Net	Net
Land.....	\$ 440,910	\$ —	\$ 440,910	\$ 270,750
Buildings.....	2,152,227	765,259	1,386,968	929,220
Equipment.....	5,005,821	1,811,113	3,194,708	2,552,306
	<u>\$7,598,958</u>	<u>\$2,576,372</u>	<u>\$5,022,586</u>	<u>\$3,752,276</u>

Planned expenditure on fixed assets for the year ending March 31, 1971 which are not reflected in the balance sheet amount to approximately \$3,750,000. Of this amount firm commitments have been entered into amounting to approximately \$1,200,000.

2. Long-Term Debt

	1970	1969
Equipment financing contracts payable in monthly instalments, most of which mature within three years.....	\$ 762,605	\$ 348,407
Term bank loan, payable \$1,666 per month.....	56,667	76,666
Demand bank loan—scheduled for repayment at \$25,000 per month.....	1,450,000	—
Mortgages at interest rates of 7% to 10% payable in monthly instalments, maturing by 1976.....	137,270	42,315
	<u>2,406,542</u>	<u>467,388</u>
Less:		
Current portion included in current liabilities.....	718,989	265,928
	<u>\$1,687,553</u>	<u>\$ 201,460</u>

Book debts have been pledged as security for the above bank loans

3. Stock Option Plan

50,000 authorized but unissued common shares have been reserved for allotment under the Company's stock option plan. The option price per common share cannot be less than 90% of the closing price of the stock on the business day immediately prior to the option being granted. The option term is for a period of five years from the date upon which it is granted. As of March 31, 1970 the following options have been granted:

Number of Shares	Option Price per Share	Expiry Dates
16,300	\$13.00	August 18, 1973
4,000	9.22	June 16, 1974
1,000	9.22	June 16, 1974

The 1,000 share option is exercisable on a cumulative basis at the rate of not more than 200 shares in each year for five years.

4. Long – Term Leases

Minimum fixed rentals under lease agreements or letters of intent with an original term of five years or more aggregate approximately:

1971-1975	\$11,327,000
1976-1980	7,754,000
1981-1985	6,310,000
1986-1990	5,577,000

Included in these amounts are rentals related to –

- (a) New flight kitchens at Montreal, Winnipeg, Edmonton and Vancouver which will be in operation during the year ending March 31, 1971.
- (b) A 220 room Cara Inn at Toronto International Airport scheduled to be in operation by June 1971.

Rentals under all leases for premises for the year ended March 31, 1970 amounted to \$2,702,342 (1969 \$2,280,000).

5. Directors' and Senior Officers' Remuneration

The aggregate direct remuneration paid or payable to the directors and senior officers was \$231,100 for the year ended March 31, 1970 (1969 \$186,700).

Cara Operations Limited and Subsidiary Companies

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Cara Operations Limited and subsidiary companies as at March 31, 1970 and the consolidated statements of earnings, retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at March 31, 1970 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto
June 18, 1970

McDONALD, CURRIE & CO.
Chartered Accountants

Five Year Financial History

Year Ended March 31

	1970	1969	1968	1967	1966
	\$	\$	\$	\$	\$
SALES	38,154,961	32,210,064	32,702,139	25,635,492	21,618,632
% increase or (decrease) for the year	18.5%	(1.5%)	27.6%	18.6%	21.2%
EARNINGS BEFORE INCOME TAXES	1,691,776	1,236,937	2,223,850	1,349,209	1,021,138
Per sales dollar	4.4%	3.8%	6.8%	5.3%	4.7%
INCOME TAXES	890,000	626,856	1,144,519	673,800	467,000
NET EARNINGS FOR THE YEAR	801,776	610,081	1,079,331	675,409	554,138
Per sales dollar	2.1%	1.9%	3.3%	2.6%	2.6%
Per share	.44	.35	.72	.46	.37
Weighted average of shares outstanding, adjusted for stock splits	1,833,230	1,676,929	1,483,230	1,483,230	1,483,230

Financial Highlights

	1970	1969
Sales.....	\$38,154,961	\$32,210,064
Net Profit.....	801,776	610,081
% of sales.....	2.1%	1.9%
Per share.....	0.44	0.35
Cash flow.....	1,621,773	1,272,769
Per share.....	0.88	0.76
Working Capital.....	2,700,730	2,382,538
Working Capital Ratio.....	1.70	1.66
Fixed Assets.....	6,547,749	4,577,425

